

looking ahead

..... A monthly report by the National Planning Association on forward-looking policy planning and research — announced, underway, and completed — of importance to the nation's future

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Holding the Line on Import Policy

by Frank Altschul

President Eisenhower recently initiated a review of United States foreign economic policy which is intended to provide the background for major policy decisions in this field next year. Meantime, a major feature of our foreign economic policy -- the Trade Agreements Act, originally passed in 1934 and periodically renewed since then -- is due to expire again on June 12, 1953. Congress must now decide whether to renew the Act as it stands, to amend it in ways which would in effect rescind previously granted tariff concessions, or, less likely, to increase the President's power to make further tariff cuts. Although the renewal of the Act is only a stop-gap measure, any backward step at this time would have great influence throughout the Free World both on the actual conditions of trade and on the psychological atmosphere in which our foreign policy is conducted.

The Trade Agreements Act authorizes the President, without review by Congress, to make agreements with foreign governments providing for reciprocal concessions on tariffs and import restrictions. A change in a duty cannot exceed 50% whether it is an increase or a decrease. Originally applied to the rates existing in 1934, the 50% limitation was shifted in 1945 to the rates in force in that year. Thus, some rates have been adjusted by more than 50% of the 1934 base. At the present time, an average of less than half the reduction authority is left unused.

Two important qualifications were made in the two-year Extension Act passed in 1951. Under the "peril-point" amendment, the Tariff Commission must inform the President of the degree of injury which threatens a domestic (continued on page 2)

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Sense from Census

Top people at the Bureau of the Census recently spent several hours briefing us on what they are doing which can help people take a long look ahead. We were guided through an overwhelming amount of data which Census collects and processes with the assistance of that animated automat of analysis -- Univac.

Our problem is to choose which veins in this gold mine we should pursue. What type of information would be of most interest to you -- Guides to data now available? Facts on definitions and methodology? Specific figures on definite subjects? What is planned for the future? We will welcome your suggestions.

On page 3 of this issue we outline how and where to get final reports on the 1950 Census.



industry affected by a concession under consideration. The "escape" clause states that, on recommendation by the Tariff Commission to the President, a concession already made may be abrogated or altered if the increase in imports resulting from it endangers or actually harms a domestic industry.

Protectionism, and specifically tariff policy, is a very old political football, but the controversy has been renewed with increased vigor this year owing both to the coming decision on the renewal of the Trade Agreements Act and to the national and international discussions of the "trade, not aid" slogan. Many leading businessmen all over the country have been roused out of their traditional protectionist attitude and are advocating not only continuation of the Act, but a liberalization and modernization of our whole tariff policy. The March 1953 issue of "Fortune" magazine documents this changed attitude of many businessmen in its article, "Free Trade is Inevitable." On the other hand, many individual businessmen and organizations, such as the American Tariff League, have intensified their opposition to the Act, and are now flooding Congress with requests for specific tariff increases. In addition, there are proposals for making the operation of the "escape" clause and the "peril-point" amendment mandatory, rather than discretionary as in the present Act.

Although the fate of our tariff policy is not likely to make or break the economy of the Free World, its ramifications are nonetheless serious. The United States has been accused of "not acting like a creditor nation" because of the obstacles we place in the way of the deficit nations who are trying to earn through exports to us the necessary dollars to pay for the goods and services they import from the United States. As the following chart shows, two current studies -- one by the Public Advisory Board of the Mutual Security Agency under the chairmanship of Daniel W. Bell (see Looking Ahead, Vol. 1, No. 3, April 1953), and the other conducted by economist Howard S. Piquet (see Looking Ahead,

Experimental Issue, December 1952) -- both conclude that U. S. merchandise imports would be significantly increased by the reduction or abolition of our trade restrictions:



Merchandise trade -- that is, imports and exports of manufactures and raw materials -- is only one item in our total balance of payments. But merchandise trade is by far the largest item; and the excess of our export of goods over our import of goods has contributed more than any other factor in recent years to the size of the so-called "dollar gap" (excluding military items). Hence, an increase in our merchandise imports would have an immediate beneficial effect in narrowing the dollar gap in the absence of offsetting changes in other items in our external accounts.

Renewal of the Trade Agreements Act in its present form probably will not produce much, if any, increase in our imports, and a weakening of the Act would almost certainly result in reduced imports. To narrow the dollar gap by means of larger imports, we would therefore have to liberalize our import policy considerably beyond the limits permitted in the present Act. In fact, little more in the way of imports may be gained through continued tariff concessions on a reciprocal basis and what may now be needed are unilateral tariff reductions by the United States.

There are those who maintain that, as a matter both of equity and of practical politics, we are unlikely to make further progress toward a freer import policy unless we are prepared to provide some form of compensation or readjustment assistance to U. S. producers and workers adversely affected by tariff cuts. Proposals of this type raise complex issues of national policy which go considerably beyond questions of sound commercial practice. Without meaning to prejudge the conclusion, I believe that a penetrating study of the full implications of a compensation program in a free-enterprise economy will be needed before its wisdom and practicability would be clearly demonstrated.

Frank Altschul is Chairman of the Board, General American Investors Co., Vice Chairman, NPA Board of Trustees, and Chairman, NPA International Committee

—significant activities—

Status of 1950 Census Findings for Population, Housing, Agriculture

Remember the Census Bureau's great nose-counting operation of 1950? Most of the results have now been published in final form or will be in the near future. The following status report is offered as a thumb-nail guide. For each part of the Censuses of Population, Housing, and Agriculture, detailed price lists with descriptions of contents are available from the Bureau of the Census. In many cases, the individual chapters (usually by geographic areas) are issued separately at nominal prices as well as in bound books. Almost all of these "preprint bulletins" are now available. Both bound books and preprint bulletins should be ordered from Supt. of Documents, Wash. 25, D. C.

CENSUS OF POPULATION

Volume I. "Number of Inhabitants." Completed, 1384 pp. \$7.00. Chapter preprints -- P-A Bulletins (54 reports -- U.S. summary, individual states and territories).

Volume II. "Characteristics of the Population." (E.g., age, sex, race, education, marital status, occupation, income.)

Fifty-one separately bound books -- U. S. summary, individual states, and territories. Prices from \$1.75 to \$4.00. Eight state books available to date. Others will be issued during spring and summer. Chapter preprints -- P-A, P-B, and P-C Bulletins. Series P-A and P-B completed. Thirty P-C Bulletins issued to date.

Volume III. "Census Tract Bulletins." Completed. Sixty-four separate bulletins (P-D Bulletins), by cities. Include housing as well as population statistics. 15¢ to \$3.00. These will not appear in bound form. Census tracts are small homogeneous areas, having a population usually between 3,000 and 6,000, into which cities and adjacent areas have been divided for statistical purposes.

Volume IV. "Special Reports." Will first be published as preprint bulletins (P-E Bulletins) and will be bound in several parts later. Reports to be published in May, June and July: Employment and Personal Characteristics, Institutional Population, Marital Status, Nativity and Parentage, Nonwhite Population by Race, Persons of Spanish Surname, Puerto Ricans in Continental U. S., State of Birth, Characteristics by Size of Place, Education. 20¢ to \$1.50. Additional reports on the characteristics of families, fertility, population mobility, and occupational and industrial characteristics will be published later.

CENSUS OF AGRICULTURE

Volume I. "General Characteristics." (E.g., number of occupants, number of rooms, value, rent, condition, plumbing facilities.) Seven separately bound books, available June and July 1953. \$1.75 to \$5.75. Chapter preprints -- H-A Bulletins (54 reports -- U. S. summary, individual states and territories).

Volume II. "Nonfarm Housing Characteristics." Five separately bound books, available July 1953. \$3.25 to \$4.75. Chapter preprints -- H-B Bulletins (162 reports -- U. S. geographic divisions, individual metropolitan areas).

Volume III. "Farm Housing Characteristics." (Rural-farm housing data for U. S. and 119 economic subregions.) One book. \$2.50. Available June 1953.

Volume IV. "Residential Financing." (Interrelationships of various characteristics of the property, the owner, and the mortgage.) Two separately bound books. \$4.25 (U. S.) and \$5.25 (large metropolitan areas). Available May 1953.

Volume V. "Block Statistics Bulletins." Completed. 213 separate reports (H-E Bulletins) for cities over 50,000. 10¢ to \$1.25. Will not appear in bound form.

CENSUS OF HOUSING

Volume I. "Counties and State Economic Areas." (Number of farms, acreage, value, type and value of crops and livestock, etc.) Completed. Thirty-four separately bound books, by geographic area. \$1.00 to \$3.50.

Volume II. "General Reports -- Statistics by Subject." One book. \$7.50. Available June 1953. Chapter preprints by subjects.

Volume III. "Irrigation of Agricultural Lands." Completed. 1031 pp. \$6.00. Chapter preprints by states.

Volume IV. "Drainage of Agricultural Lands." Completed. 326 pp. \$1.50.

Volume V. "Special Reports." Ten separate reports. Three were available May 1 -- "Horticultural Specialties," \$3.50, "Multiple-Unit Operations," \$2.75, and "Ranking Agricultural Counties," 40¢. Others will be published in May and June: Land Utilization (45¢), Farm Tenure (60¢), Agriculture 1950 -- A Graphic Summary (65¢), Irrigation 1950 -- A Graphic Summary (35¢), Farm Mortgage Debt (30¢), Economic Class and Type of Farm (40¢), and Farms and Farm Characteristics by Economic Subregions (50¢).

The Role of Economic Forecasting in Capital Expenditure Planning

Decisions regarding capital expenditures should be based largely on estimates of their effects on profits. Profitability depends on the economic setting -- future volumes, prices, costs, and product-line trends. The specific character of projections of these elements will vary from industry to industry, but it is probable that all firms should consider separate projections of general economic activity, of the industry's position within the economy, and the firm's position within the industry as a means of obtaining specific volume and price projections. Activity and price-levels for the economy as a whole, for the industry, and for the firm are highly inter-related.

The Long-Range Frame of Reference

In capital expenditure planning, top management has generally three distinct but interrelated jobs: (1) to fix a long-term goal of what the company's asset structure ought to look like 5 or 10 years hence; (2) to maintain in some detail a list of the major projects and types of expenditures that are being seriously considered for the next 2 or 3 years; and (3) to make final decisions for the current year on the amount of money to be spent and the ways to spend it. The first job is a framework for the second, and the second a framework for the third. But in all three phases of investment planning some estimate of the profitability of specific proposals is a necessary starting point.

Long-range plans must be drawn up in the setting provided by the company's long-range goals as to market share, product line, distribution channels, and capital structure. Given these goals, the long-range facilities plan should be adapted to meet forecast conditions. Specifically, long-range projections of desirable capital outlays for any planning period should be benched on forecasts

of at least 5 factors: (1) the level of general economic activity and the relation of the firm's and the industry's volume to the over-all total; (2) the advance of technology and the geographical distribution of markets and sources of supply; (3) shifts in the composition of the market and their effects on the product line; (4) the strategy and tactics employed by business competitors; and (5) the state of the capital markets and the company's access to them. Such forecasts will permit the company to draw up a blueprint of the kinds, sizes, and location of facilities desirable at some date in the future. These projections will also provide the basis for estimating the supply of funds generated by the company's projected operations and the need for capital funds from outside sources.

Spelling out the way in which these long-range facilities goals are to be achieved would require projections of: (1) cash generated by earnings; (2) dividend payments and securities retirements; (3) capital to be obtained outside the firm; (4) routine replacements and major repairs; (5) maintenance, advertising, and research outlays; and (6) working capital needs.

The One-Year Capital Budget

In drawing up the capital expenditure program short-term influences on profitability as well as long-run trends should be evaluated. The time patterns of capital investment programs can be altered in response to anticipated changes in the prices of materials and labor. This adjustment requires a forecast of a different set of prices from those involved in estimating the effects of capital investment on revenues of the firm. It also involves a more detailed short-run type of analysis than is necessary for appraising either the broad outlines of the capital expenditure plan or the profitability of a single investment proposal.

When the one-year budget is being set up, the requests for funds for capital expenditures typically exceed the available supply of these funds. The projects to be undertaken should be selected on the

basis of indicated profitability against a standard of minimum acceptable profitability. This cut-off rate depends on the amount of money available for capital investment and the cost of that money. Thus, the current cash budget requires projections of cash generated by operations, the amount and indicated profitability of proposed outlays, and the cost of capital.

Profits Through Expansion, New Products, and Cost-Saving Equipment

For expansion investments, the source of project earnings is sales volume, and the critical projections for estimating rate-of-return are the forecasts of volume and prices. Furthermore, in a stage of market development when capacity governs market share, expansion investments may capture future customers whose subsequent loyalty will augment the investment's future profitability; this might prove to be a cheap way to buy market share, but only if volume forecasts indicate an adequate future market to justify the current outlay.

The source of the earnings on investments in new products and product improvements is the extent to which they incorporate desired innovations. The amount and timing of earnings from this source depend on sales volumes and margins. These, in turn, need to be benched on projections of economic activity and prices.

Even for expenditures whose major source of profitability is cost saving, projections of activity levels are needed to estimate rate-of-return. Earnings on any labor-saving device are proportionate to the amount and cost of labor displaced and this will vary with the volume of activity.

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Commissions To Help the President Plan

The President has created or proposed 7 committees and commissions, principally of private citizens, to advise him and department heads. Their current status is changing from day to day, but as we go to press the picture looks like this:

Soon after the election, President Eisenhower appointed a 3-man committee headed by Nelson A. Rockefeller to advise him on reorganizing the executive branch of the Government. On January 24 it officially became the President's Advisory Committee on Government Organization. Its work is of a staff nature for the President alone, but it probably has had great influence in many recent organizational changes suggested and made by the administration. No terminal date has been set for its work.

The President recommended to Congress on March 30 the creation of a Federal Commission on Governmental Functions and Fiscal Resources to study grants-in-aid, finance, and tax problems in federal-state interrelations. S. 1514 was introduced in the Senate (and an identical bill in the House) to implement this recommendation and short hearings were held in mid-April. The bill will soon be reported out with amendments to broaden the field of study. It proposes 15 members appointed by the President, 5 by the President Pro Tempore of the Senate, and 5 by the Speaker of the House. Favorable action is expected on this proposal this session.

A nonpartisan Interim Special Agricultural Advisory Committee of 14 members from farm organizations and agricultural colleges was appointed December 28 to study and advise on national farm policy. It has since been officially made the National Agricultural Advisory Committee. William I. Myers, Cornell University Agriculture Dean, is chairman. The Committee meets about once every 2 months and makes recommendations to the Secretary of Agriculture at

his request. In its first 2 meetings, reorganization plans, general and long-range policy, international trade, and the international wheat agreement were discussed. The next meeting is scheduled for about May 25.

In his State of the Union speech the President authorized the Department of Labor to establish a "tripartite advisory committee consisting of representatives of employers, labor, and the public." The resulting committee reached an impasse in its third meeting on the question of whether votes should be taken on recommending changes in the Taft-Hartley law. The committee is in recess, subject to call by its chairman, the Secretary of Labor.

The President's Committee on International Information activities was appointed January 24 "to make a survey and evaluation of the international information policies and activities of the Executive Branch of the Government . . . with particular reference to the international relations and the national security of this country." This is generally construed to mean the whole area of psychological warfare strategy and organization. William H. Jackson, of J. H. Whitney and Co., and former Deputy Director of the Central Intelligence Agency, is chairman. Of the 8 members, 3 represent agencies (State, Defense, and MSA) actively concerned with the subject and a fourth is an Administrative Assistant to the President. The final report and recommendations, due by June 30, may not be made public because of the necessarily secret nature of much of the subject.

Little information is yet available on the joint executive-legislative commission to study the whole field of foreign economic policy, to which President Eisenhower first referred on April 23. In March, Lewis W. Douglas, former Ambassador to Britain, had been designated to head a committee for such a study, but now he will work alone as a special adviser implementing agreements reached at the recent U.S.-British financial talks.

—watch for—

...Technical assistance at the grass -- or bamboo -- roots in the so-called under-developed areas has been surveyed by a series of working groups from voluntary agencies active in this field. Their report and recommendations will be published early this month.

("The Role of Voluntary Agencies in Technical Assistance" from: American Council of Voluntary Agencies for Foreign Service, Inc., 20 W. 40 St., New York 18. Approx. 125 pp. \$1.00. Discounts on large orders.)

...A CIO report on the economic situation, due the end of this month or early June, will deal with the roles of consumption and investment in maintaining high levels of employment and production. Length between 35 and 50 pp., price unknown at present.

...A detailed analysis of state and local tax structure will present CIO's suggestions on criteria for an adequate tax program and recommendations on specific taxes which should be enacted. Discussion of each form of taxes -- excise, income, etc. -- will be based on what the situation is in each of 48 states. Expected by midsummer; at least 75 pp.; well illustrated by tables and charts. Price not set.

(Place advance orders for both with CIO, 718 Jackson Place, N. W., Wash. 6.)

...Bureau of Census "County and City Data Book -- 1952," coming about the end of May, is a basic source on small areas with figures from 1950 Census. Eight pages of headings for each entry cover population, labor force, manufacturing, trade, finance, housing, etc.

(From: Supt. of Documents, Wash. 25. Pages and price not available now.)

—NPA activities—

Release First NPA Case Study on U. S. Business Performance Abroad

NPA has long urged and worked for much greater private investment abroad. It is known that hundreds of American firms are operating abroad -- most of them with profit -- and making positive contributions to the economies of their host countries. This is despite two world wars and many other obstacles that would be a harassment enough at home without the complications of operating in distant lands.

Seeking ways to discover patterns of success in such operations and to encourage further activity in the field of corporate investment abroad, NPA decided to use the case-study method which had been developed so successfully by its project on the Causes of Industrial Peace.

A Special Policy Committee, under Charles J. Symington, guides the project and selects companies to be studied. A Research Advisory Committee works with Eugene W. Burgess, director of research and Fred Smith, international relations adviser. Foundation financing has been secured as a base for making case studies on U. S. Business Performance Abroad.

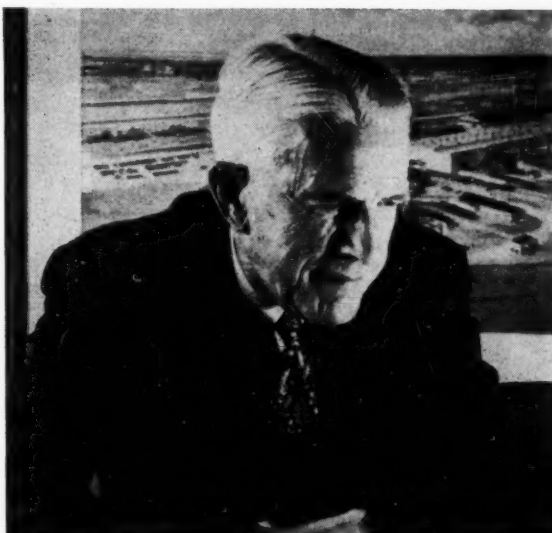
"Sears, Roebuck de Mexico, S. A.," the first study in the series, was released on May 4. Written following an on-the-spot investigation by Richardson Wood and Virginia Keyser, the study is accompanied by a Statement of the Policy Committee pointing out the assumptions which underlie the project and including a check list of the kind of benefits to host countries with which the Committee will be concerned.

This study very clearly reflects the basic contributions that management skill can make to the success of such a venture. Sears in Mexico has been in

operation only 6 years. In that short period, as business history goes, it has achieved a major place in the retail merchandising field and made conspicuous contributions to the Mexican economy. Sears has helped some 1,300 Mexican firms to expand and improve their methods and to diversify products for which Sears merchandising provides an ever-increasing market. It has won wide acceptance for merchandising practices new to Mexico and welcomed by customers.

The report's description of Sears activities is supplemented by a small album of documentary photographs, and a suggested reading list, and tables giving data on the changing Mexican economy.

(From: NPA. May 1953. 88 pp. \$1.00
-- 75¢ to NPA members.)



CHARLES J. SYMINGTON, Chairman of the Special Policy Committee, says: "We are hopeful that the telling of this Sears story and others to come will highlight how the important job of investment abroad is done for long-range success and satisfaction. We will welcome ideas for future case studies and other evidences of interest in our objectives." Mr. Symington is Chairman of the Board of The Symington-Gould Corporation and is a member of the NPA Board of Trustees and Business Committee.

What Makes Industrial Peace?

On April 20 NPA released Case Study No. 11 in its series on the Causes of Industrial Peace Under Collective Bargaining. Described in detail is a mature and productive relationship -- which promises to last -- between the American Velvet Company at Stonington, Connecticut, and a local of the CIO's Textile Workers Union of America.

The company and workers were plagued by unsettled or bitter relations from 1892 until the end of a costly 16-month strike in 1939. But beginning in 1940, realistic collective bargaining, built on intelligent, conscientious, and continuous efforts by management and the union, has resulted in more money and steady growth for the company; full employment at good wages and a share of profits by workers; economic, social, and political gains for the community.

The study was made by George S. Paul, director, Labor-Management Institute of The University of Connecticut.

(From: NPA. April 1953. \$1.00 -- 75¢ to NPA members. Full series of Case Studies, published and to come, \$12.50 -- \$9.00 to NPA members.)



Rita Studios, Inc.

Twenty-two members of the Agriculture Committee and guests at the April 11 and 12 Committee meeting held in Chicago discussed various aspects of general agricultural policy including: commodity reserves; crop insurance; price stability; export and import of agricultural commodities; credit for beginning farmers; and education regarding new technology. Looking Ahead will report on this Committee and its activities in the June issue.

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